

COMPLIANCE BULLETIN

Trump Accounts: New Tax-favored Accounts for Children



On July 4, 2025, President Donald Trump signed a major tax and spending bill, commonly referred to as the "[One Big Beautiful Bill Act](#)" (OBBA Act), into law. The OBBA Act includes a variety of changes for employee benefit plans. Notably, it creates a new type of federal tax-favored account for children, called Trump Accounts, effective for tax years beginning in 2026.

Employers that establish a Trump Account Contribution Program can contribute up to **\$2,500 per year** on a tax-free basis to the Trump Accounts of employees' dependents (or teenage employees). This program must be established pursuant to a written plan document and must meet certain tax rules that apply to dependent care assistance programs (DCAPs).

Key features of Trump Accounts include the following:

- Children born in 2025-28 may be eligible to receive a special **\$1,000** contribution from the federal government;
- Annual contributions are generally limited to **\$5,000** and may only be made beginning 12 months after the OBBA Act's enactment and only until the child reaches age 18;
- The accounts are treated similarly to traditional individual retirement accounts (IRAs) for tax purposes, although taxpayers' contributions are not tax-deductible; and
- Withdrawals are only permitted after the account beneficiary reaches age 18.

Action Items

The IRS is expected to issue guidance on Trump Accounts in the future, which will likely address eligibility criteria, implementation timelines and administration details. Employers interested in a Trump Account Contribution Program should watch for this guidance.

Basic Rules

Trump Accounts are a new tax-advantaged savings program for children **under the age of 18**, effective for tax years beginning in 2026. These accounts will operate similarly to traditional IRAs, where investment **earnings grow tax-deferred**. According to the [White House](#), Trump Accounts will give children "the chance to experience the miracle of compounded growth and set them on a course for prosperity from the very beginning."

Eligible children born between **Jan. 1, 2025, and Dec. 31, 2028**, will receive a one-time **\$1,000 contribution** from the federal government to a designated Trump Account. To receive this contribution, a child must be a U.S. citizen with a Social Security number. Trump Accounts may be established for children not born within this four-year period, although they will not be eligible for the government's \$1,000 benefit.

Trump Accounts may receive contributions of up to **\$5,000** per year from parents, relatives, guardians or other taxpayers. However, unlike traditional IRAs, these contributions are **not tax-deductible**. Employers may also contribute up to **\$2,500** per year to the Trump Accounts of employees' dependents (or teenage employees) on a **tax-free basis**. These contribution dollar limits will be adjusted for inflation beginning after 2027.

Until a child reaches age 18, their Trump Account must be invested in a mutual fund or exchange-traded fund that does not have annual fees or expenses of more than 0.1%. In general, withdrawals are not allowed before age 18. Distributions are generally taxable to the extent they exceed taxpayer contributions. Also, unlike 529 college savings plans, withdrawals are not limited to qualified education expenses.

Employer Contribution Programs

The OBBB Act allows employers to contribute up to **\$2,500 per year** on a tax-free basis to the Trump Accounts of their employees' children or their teenage employees. Employers that want to make these contributions must adopt a **written plan document** describing the program and comply with the following tax rules that are also applicable to DCAPs:

- **Nondiscrimination:** The program's eligibility rules, contributions or benefits cannot discriminate in favor of highly compensated employees or their dependents;
- **Employee notification:** Eligible employees must receive reasonable notification of the program's availability and terms; and
- **Expense statement:** On or before Jan. 31 each year, employees must be provided with a written statement showing the amounts paid or expenses incurred by the employer in providing the program during the previous calendar year. Note that, for DCAPs, employers report dependent care benefits on employees' Form W-2.

More Details to Come

The IRS is expected to issue guidance on Trump Accounts in the future, including specific rules that apply to employer contributions.

Provided to you by National Insurance Services

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